

Message Text

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PAGE 01 MANILA 13192 011054Z
ACTION EB-08

INFO OCT-01 EA-10 ISO-00 COME-00 TRSE-00 ITC-01 PA-01
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R 011029Z AUG 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9441
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EINV, EFIN, RP, US, JA
SUBJECT: PROPOSED SURTAX ON FOREIGN BRAND NAMES

SUMMARY. PROPOSED LEGISLATION TO LEVY A SURTAX ON FOREIGN
BRAND NAMES HAS ENCOUNTERED PREDICTABLE OPPOSITION FROM
AMERICAN AND JAPANESE INVESTORS, AS WELL AS FROM FILIPINO
COMPANIES WHICH APPEAR MOST HEAVILY AFFECTED. BILL
APPEARS STYMIED FOR THE MOMENT.

1. FINANCE COMMITTEE OF THE INTERIM BATASANG PAMBANSA
HAS INTRODUCED A BILL PROVIDING FOR A SURTAX ON LOCALLY
MANUFACTURED ARTICLES BEARING A FOREIGN TRADEMARK OR
NAME. FINANCE COMMITTEE IS CHAIRED BY FINANCE MINISTER
CESAR VIRATA WHO IS A KNOWN PROPONENT OF THE BILL.
INDUSTRY MINISTER VICENTE PATERNO HAS ALSO PUBLICLY
ENDORSED IT.

2. FOREIGN INVESTORS HAVE EXPRESSED THEIR OPPOSITION TO
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PAGE 02 MANILA 13192 011054Z

THE MEASURE AT A PUBLIC HEARING HELD BY THE LEGISLATIVE
COMMITTEE. JAPANESE BUSINESSMEN HAVE NOT BEEN SHY IN
VOICING THEIR DISCONTENT AND ARE SUPPORTING THEIR
AMERICAN COLLEAGUES. AMCHAM PRESIDENT GEORGE SUTER HAS
WRITTEN TO THE FINANCE COMMITTEE, STATING THAT "PROPOSED
MEASURE DISCRIMINATES AGAINST FOREIGN INVESTORS AND
THEREFORE THE CHAMBER MUST REGISTER ITS OBJECTION IN

PRINCIPLE TO SUCH PROPOSALS."

3. OPPOSITION HAS STRESSED THAT THE SMALL REVENUE TO BE GAINED IS NOT COMMENSURATE WITH THE ERRONEOUS IMPRESSION THE BILL WOULD CREATE -- THAT THE PHILIPPINES IS HOSTILE TO FOREIGN INVESTMENTS. BURDEN OF MEASURE WOULD ALSO FALL PRIMARILY ON FILIPINO COMPANIES WHICH HAVE LICENSING AND ROYALTY AGREEMENTS INVOLVING THE USE OF FOREIGN TRADEMARKS OR NAMES. FINALLY, POINT WAS MADE THAT THE FILIPINO CONSUMER IS MORE SOPHISTICATED THAN GENERALLY REGARDED, AND HIS PREFERENCE FOR FOREIGN BRANDS IS DUE TO THE FACT THAT PRODUCTS BEARING THESE BRANDS HAVE PROVEN THEMSELVES.

4. VIRATA HAS ADMITTED THAT THE MEASURE WOULD NOT PRODUCE MUCH REVENUE, BUT CLAIMED IT WOULD PROMOTE ECONOMIC NATIONALISM. ON THE OTHER HAND, HOWEVER, MANY POPULAR BRANDS -- FOR EXAMPLE, HORMEL, ARMOUR AND SWIFT IN MEAT PRODUCTS -- ARE PRODUCED BY WHOLLY-OWNED OR MAJORITY-OWNED FILIPINO COMPANIES SUCH AS PUREFOODS, PHILIPPINE INTEGRATED MEAT PACKING CORPORATION AND CONCEPCION INDUSTRIES WHICH HAVE EXPRESSED THEIR UNHAPPINESS OVER THE PROPOSED MEASURE.

5. PROGRESS OF THE BILL APPEARS STATIONARY AT THE MOMENT, AND WE BELIEVE AND SUTER AGREES THAT IT IS TOO LIMITED OFFICIAL USE

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PAGE 03 MANILA 13192 011054Z

EARLY FOR THE EMBASSY TO BECOME INVOLVED. IF WE DO, IT WILL BE AFTER MUTUAL CONSULTATIONS AND AT LOW KEY. MURPHY

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TAGS: EINV, EFIN, RP, US, JA
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